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Proposed Counsel for Debtor  
and Debtor in Possession

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF HAWAII**

In re

HAWAIIAN AIRLINES, INC.  
a Hawaii corporation,  
  
Debtor.

Case No. 03 - 20817  
(Chapter 11)

**MOTION PURSUANT TO SECTIONS  
105(a) AND 363(b) OF THE  
BANKRUPTCY CODE FOR  
AUTHORIZATION TO (i) CONTINUE**

**THE DEBTOR'S WORKERS'  
COMPENSATION PROGRAMS,  
INSURANCE POLICIES, AND  
AGREEMENTS RELATING  
THERE TO, AND (ii) PAY ALL  
OBLIGATIONS IN RESPECT  
THEREOF; EXHIBITS A AND B;  
PROPOSED ORDER**

Date: March 21, 2003

Time: 2:30 P.M.

Judge: Hon. Robert J. Faris

Hawaiian Airlines, Inc., as debtor and debtor in possession (the "Debtor"), by and through its undersigned proposed co-counsel, hereby moves this Court for entry of an order authorizing the Debtor to (i) continue its workers' compensation programs, insurance policies, and agreements relating thereto, and (ii) pay all obligations in respect thereof (the "Motion"). In support of the Motion, the Debtor respectfully submits as follows:

**I. JURISDICTION**

1. This Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The bases for the relief requested herein are sections 105(a) and 363(b) of title 11 of the United States Code.

## **II. BACKGROUND**

3. On March 21, 2003 (the “Petition Date”), the Debtor filed a petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Hawaii (the “Bankruptcy Court”). Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtor is operating its businesses and managing its properties as a debtor in possession. No trustee, examiner or committee of creditors has been appointed in the Debtor’s chapter 11 case.

4. The Debtor was incorporated in January of 1929 under the laws of the Territory of Hawaii and is currently a subsidiary of Hawaiian Holdings, Inc. (“Hawaiian Holdings”),<sup>1</sup> a Delaware corporation whose common stock is traded on the American Stock Exchange and Pacific Exchange under the ticker symbol “HA.” As part of the regular Securities and Exchange Commission filings of Hawaiian Holdings, Hawaiian Holdings reports its financial and operating results with those of the Debtor on a consolidated basis.

### **The Debtor’s Business**

5. The Debtor is engaged primarily in the scheduled transportation of passengers, cargo and mail. The Debtor’s passenger airline business is its chief

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<sup>1</sup> Hawaiian Holdings holds 49.1% of the outstanding common stock of the Debtor directly. The remaining 50.9% of the outstanding common stock of the Debtor is held by AIP, Inc. (“AIP”), a wholly-owned subsidiary of Hawaiian Holdings.

source of revenue. Principally all of the Debtor's flights either originate or end in the state of Hawaii. The Debtor provides passenger and cargo service from Hawaii, predominately Honolulu, to the cities of Los Angeles, Ontario, Sacramento, San Diego and San Francisco, California; Seattle, Washington; Portland, Oregon; Phoenix, Arizona; and Las Vegas, Nevada (the "Transpacific Routes"). The Debtor also provides non-stop service between and among the six major islands of the state of Hawaii (the "Interisland Routes") and weekly service to each of Pago Pago, American Samoa and Pepeeete, Tahiti in the South Pacific (the "South Pacific Routes"). Charter service is provided from Honolulu to Anchorage, Alaska (the "Charter Routes"). Based upon the Debtor's operating revenues, the Debtor is the largest airline headquartered in Hawaii.

6. Based on its unaudited results, the Debtor had a net loss of approximately \$58 million for the twelve months ended December 31, 2002 ("Year 2002") on operating revenue of approximately \$632 million for the same period. In comparison, for the twelve months ended December 31, 2001 ("Year 2001"), the Debtor reported net income of approximately \$5 million on operating revenue of approximately \$612 million for the same period. The Debtor's assets and liabilities, as of December 31, 2002, were approximately \$256 million and \$399 million, respectively. The Debtor's reported assets and liabilities, as of December 31, 2001, were approximately \$305 million and \$327 million, respectively.

7. The Debtor is party to a network of agreements among airlines. Because of the interdependent nature of airline operations, coordination among airlines, provision of airline services, and efficient service by the airline industry to the traveling public, in general, would be virtually impossible without such agreements. Among other things, these agreements facilitate cooperation among airlines with respect to such critical activities as making reservations and transferring passengers, packages, baggage and mail among airlines.

### **The Debtor's Fleet**

8. Beginning in the fourth quarter of 1999, the Debtor initiated a plan to replace its entire fleet of McDonnell Douglas DC-9 aircraft used to service its Interisland Routes. This effort was completed in the first quarter of 2002, with the Debtor taking delivery of thirteen Boeing 717-200 aircraft (the "717 Aircraft").

9. Similarly, in the fourth quarter of 2001, the Debtor initiated a plan to replace, by June 2003, its entire fleet of McDonnell Douglas DC-10 aircraft (the "DC-10 Aircraft") used to service the Transpacific Routes, South Pacific Routes and Charter Routes (the "Overseas Routes") with sixteen Boeing 767-300ER aircraft (the "767 Aircraft"). To date, the Debtor has taken delivery of ten new and four used Boeing 767-300ER aircraft and has returned eleven DC-10 Aircraft leased from Continental Airlines, Inc. and a subsidiary of American Airlines, Inc.

("American"). The Overseas Routes are currently serviced by fourteen Boeing 767-300ER aircraft.

10. All of the Debtor's aircraft are leased from various lessors under either financing or operating leases. Three of the Debtor's 767 Aircraft are leased under fifteen-year operating leases with a subsidiary of Ansett Worldwide Aviation Services, Inc. ("Ansett") and were delivered to the Debtor in the fourth quarter of 2001. Four 767 Aircraft were delivered in 2002 under seven-year operating leases with International Lease Finance Corporation. Seven of the Debtor's 767 Aircraft are leased under eighteen-year operating leases from Ansett and a subsidiary of Boeing Capital Corporation ("Boeing"). Each of the 717 Aircraft is leased under an eighteen-year leveraged financing lease with Boeing. The Debtor's four remaining DC-10 Aircraft are leased under operating leases with American and B.C.I. Leasing.

### **Employees**

11. The Debtor has approximately 3,200 active employees, approximately 2,600 of which are employed on a full time basis. The majority of the Debtor's employees are covered by labor agreements with the International Association of Machinists and Aerospace Workers (AFL-CIO) ("IAM"); the Airline Pilots Association, International ("ALPA"); the Association of Flight Attendants ("AFA"); the Transport Workers Union ("TWU"); or the Employees of the

Communications Section (“Communications Section”). Each of these labor agreements, other than the contract with the seven-member Communications Section, was renegotiated in 2000 or 2001, and will be subject to renegotiation again in 2004 or 2005.

### **Previous Restructurings**

12. On September 21, 1993, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court (the “1993 Bankruptcy”).<sup>2</sup> Following confirmation of the Debtor’s plan of reorganization in the 1993 Bankruptcy on August 30, 1994, the Debtor successfully emerged from the 1993 Bankruptcy. Thereafter, on August 29, 2002, the Debtor was restructured from a public company into a wholly-owned subsidiary of Hawaiian Holdings and AIP (the “Restructuring”). As part of the Restructuring, the stockholders of the Debtor became stockholders of Hawaiian Holdings and Hawaiian Holdings assumed sponsorship of the Debtor’s existing stock agreements. Prior to the Restructuring, the common stock of the Debtor was publicly traded on the American Stock Exchange and Pacific Exchange under Hawaiian Holdings’ ticker symbol of “HA.”

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<sup>2</sup> United States Bankruptcy Court, District of Hawaii, Case No. 93-01074.

### **The Debtor's Current Financial Crisis**

13. The Debtor's current financial crisis was precipitated by a confluence of factors relating, in large part, to the depressed economic conditions of both the United States and Japan. These factors include: (a) decreased fare revenue, (b) high aircraft lease costs, (c) high labor costs and (d) increased insurance, security and fuel costs. Although the terrorist attacks of September 11, 2001 are one of the most obvious and publicized reasons for the Debtor's current financial crisis, it is the significant, though related, decline in the economies of the United States and Japan that has most contributed to the necessity of the Debtor's chapter 11 filing.

14. Following the events of September 11, 2001, the Debtor has seen a marked and dramatic reduction in the demand for travel to and within the islands of Hawaii. This reduced demand has been exacerbated by the flagging economies of the United States and Japan since that time. The demand for vacation travel, which historically has been the Debtor's greatest source of income, has been most affected by the economic decline. In order to attract passengers, airlines, including the Debtor, have been forced to lower their fares. The introduction of "low cost carriers," such as Jet Blue, has led to a further reduction in fare structure, as national airlines have been forced to reduce ticket prices to remain competitive. The combination of fewer ticket sales made at reduced fares continues to impact the Debtor's revenue and earnings negatively.



15. Beginning in late 1999, as discussed above, the Debtor began a refueling process under which its aging fleet of McDonnell Douglas DC-9 aircraft and DC-10 Aircraft would be completely replaced by the end of 2003. By July of 2001, the Debtor had entered into the last of its agreements with lessors that would provide the aircraft for this refueling. Although the terms of these agreements were considered to be fair and at market rates when agreed to, the subsequent and unforeseen decline in economic conditions in the United States and abroad have caused the terms of such leases to be highly unfavorable. Because its aircraft lease costs are grounded in economic assumptions that have failed to materialize, the Debtor has been forced to shoulder the crippling costs of over-market leases. For the Year 2002, expenses associated with the Debtor's aircraft leases made up 12% of its total operating expenses.

16. Similarly, because the Debtor's union agreements were renegotiated in 2000 and 2001, the Debtor's labor costs have not been in line with current economic conditions. Based upon market assumptions made in 2000 and pre-September 11, 2001, the Debtor's labor costs have exceeded what the Debtor could realistically maintain based upon its revenues. This relative increase in labor costs, as compared to revenue, has negatively impacted the Debtor's ability to remain a viable enterprise. For the Year 2002, the Debtor's labor costs made up 30% of its total operating expenses.

17. As a direct result of the events of September 11, 2001 and the long-standing international crises in the Middle East, the Debtor has seen increases in several of its cost centers. For instance, insurance rates associated with airline operations have increased substantially as compared to pre-September 11, 2001 rates. Because of increased airline security requirements, the Debtor also has been faced with increased security expenditures. Moreover, fuel costs, which made up approximately 14% of the Debtor's operating expenses for Year 2002, also have steadily increased during this period. These increased costs, in the face of declining revenues, have further weakened the Debtor's ability to succeed as a going-concern.

#### **Prepetition Activities**

18. The two largest controllable components of the Debtor's cost structure are labor and aircraft costs. These are, therefore, the two areas upon which the Debtor had focused prior to the Petition Date in trying to accomplish a successful out-of-court financial and operational restructuring. To that end, the Debtor has, particularly within the past year, been actively negotiating with both its aircraft lessors and labor unions to reduce its aircraft and labor costs, respectively. These negotiations have continued up until the Debtor's bankruptcy filing. On February 20, 2003, the Debtor's employees represented by IAM agreed to \$3.8 million in concessions. On March 6, 2003, the Debtor's employees represented by ALPA

reached an agreement with the Debtor with respect to approximately \$8 million in concessions. Similarly, on March 11, 2003, the Debtor's employees represented by AFA agreed to approximately \$3.5 million in concessions. Although the Debtor and its labor unions have made great progress in these negotiations, it now appears that the only practicable way for the Debtor to reorganize is under the protection afforded to it under the Bankruptcy Code, as the Debtor has not been successful in its attempts to negotiate significant concessions from its aircraft lessors.

### **III. RELIEF REQUESTED**

19. In connection with the operation of its business, the Debtor maintains various workers' compensation programs, liability insurance policies, and related programs through numerous insurance carriers (collectively, the "Insurance Programs"). Pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, the Debtor seeks authorization to continue these Insurance Programs consistent with the Debtor's pre-petition practices and pay, in the ordinary course, all pre-petition premiums, administrative fees and other pre-petition obligations related to these Insurance Programs when due. In addition, the Debtor seeks authority to continue to make all payments related to the Insurance Programs on a post-petition basis.

## **A. The Debtor's Insurance Policies**

20. In connection with the daily operation of its business, the Debtor maintains certain insurance policies (the "Insurance Policies") in respect of, *inter alia*, certain liability coverages: (i) business property and business interruption insurance policy, including flood, earthquake and hurricane, (ii) aircraft hull physical damage insurance and comprehensive airline liability insurance policy, (iii) aviation hull war and allied perils insurance policy, (iv) aircraft hull deductible insurance policy, (v) commercial automobile insurance policy, (vi) commercial automobile excess insurance policy, (vii) directors' and officers' liability policy, (viii) various directors' and officers' excess liability insurance policies, and (ix) employee benefit plan fiduciary liability insurance policy. The Debtor is required by applicable statutes and regulations to maintain most of the Insurance Policies. Further, all the Insurance Policies are essential to the ongoing operation of the Debtor's business. Exhibit A annexed hereto identifies for each of the Insurance Policies: the insurance carrier, the type of insurance and the term of the policy.

21. The premiums for each of the Insurance Policies are determined annually and are paid pursuant to a variety of payment methods. The Debtor is continuously renewing and/or adding insurance policies and paying monthly billings for premiums with respect to the Insurance Policies. Currently, the Debtor does not believe that there are any pre-petition amounts that need to be paid related

to the Insurance Policies. However, to the extent a premium relating to a period prior to the Petition Date is outstanding with respect to any Insurance Policy, the Debtor seeks authority to make such payment. If the Debtor does not pay its pre-petition premiums, the Debtor's insurance carriers are likely to terminate their insurance coverage, thereby endangering the Debtor's successful reorganization.

**B. The Debtor's Workers' Compensation Programs**

22. Under the laws of the various states in which the Debtor operates, the Debtor is required to maintain workers' compensation policies and programs (the "Workers' Compensation Programs") to provide its employees with workers' compensation coverage for claims arising from or related to their employment with the Debtor. In most of the states in which it operates, the Debtor maintains separate workers' compensation policies to cover its statutory obligations through AIG Aviation, Inc. ("AIG"). In Washington, however, the state government requires that the Debtor contribute to a state-controlled workers' compensation fund. In certain cases, the Debtor is required to post letters of credit or provide other security to support its workers' compensation obligations. Exhibit B annexed hereto identifies all the Workers' Compensation Programs. The Debtor estimates that, as of the Petition Date, approximately \$1.7 million is owed to either AIG, Associated Aviation Underwriters, Inc. or the various state workers' compensation funds for its workers' compensation coverage. By the Motion, the

Debtor seeks authority to pay, in its discretion, any and all pre-petition amounts owing to the Worker Compensation Programs in the ordinary course of business, including the maintenance and provision of letters of credit supporting the Debtor's obligations.

23. As of the Petition Date, there were approximately 2,678 workers' compensation claims (the "Workers' Compensation Claims") pending against the Debtor arising out of injuries suffered by employees in connection with their employment by the Debtor. Because payment of the pre-petition Workers' Compensation Claims is essential to the continued operation of the Debtor's business under the laws of the various states in which it operates, the Debtor requests authority to pay any and all amounts due and owing with respect to any of the Workers' Compensation Programs, and to maintain and continue pre-petition practices with respect to the Workers' Compensation Programs, including, among other things, allowing workers' compensation claimants, to the extent they hold valid Workers' Compensation Claims, to proceed with their claims under the applicable insurance policy or program. The Debtor estimates that, as of the Petition Date, the aggregate amount that may be payable with respect to Workers' Compensation Claims is approximately \$13.9 million.

### **C. The Debtor's Brokerage Fees**

24. The Debtor is a party to insurance brokerage agreements with Aviation Insurance Services of Nevada, Inc. and Marsh USA, Inc. (collectively, the “Brokers”). Under the insurance brokerage agreements, the Brokers administer the Insurance Policies and the Workers’ Compensation Programs. The Brokers are compensated for their services with either a monthly brokerage fee or an annual brokerage fee. The Debtor believes that no brokerage fees are owed for the Brokers’ prepetition services. By the Motion, the Debtor seeks authority to pay any and all pre-petition amounts owed to the Brokers. If the Brokers’ fees are not paid by the Debtor in the ordinary course of business, the Brokers may refuse to continue to administer the Insurance Policies, thereby preventing the Debtor’s successful reorganization.

#### **IV. LEGAL AUTHORITY**

25. Section 105(a) of the Bankruptcy Code allows the Court to authorize payments on account of certain prepetition claims when necessary. Section 105(a) of the Bankruptcy Code provides, in relevant part, that “[t]he court may issue any order, process, judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). See Debtor’s Consolidated Memorandum of Law. Moreover, section 363(b)(1) of the Bankruptcy Code provides that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1).

26. Bankruptcy courts in this Circuit have routinely granted the relief requested herein to other debtors in major chapter 11 cases. See In re Crown Vantage, Inc., Case No. 00-41584 (RJN) (Bankr. N.D. Cal. Mar. 16, 2000); In re AgriBioTech, Inc., Case No. 00-10533 (LBR) (Bankr. D. Nev. Jan. 26, 2000); In re National Airlines, Inc., Case No. 00-19258 (LBR) (Bankr. D. Nev. Dec. 7, 2000); In re Pacific Gas & Electric Company, Case No. 01-30923 (DM) (Bankr. N.D. Cal. Apr. 6, 2001); In re Washington Group International, Inc., Case No. 01-31627 (GWZ) (Bankr. D. Nev. May 14, 2001).

**A. Authorization to Pay Pre-Petition Claims Related to Insurance Policies**

27. It is essential to the continued operation of the Debtor's business and its efforts to reorganize that the Insurance Policies be maintained on an ongoing and uninterrupted basis. The failure to pay premiums when due may affect the Debtor's ability to renew the Insurance Policies. If the Insurance Policies are allowed to lapse, the Debtor could be exposed to substantial liability for damages resulting to persons and property of the Debtor and others, which exposure could have an extremely negative impact on the Debtor's ability to reorganize successfully. Additionally, continued effectiveness of the directors' and officers' liability policy is necessary to the retention of qualified and dedicated senior management.



## **B. Continuation of Workers' Compensation Programs**

28. The maintenance of the Workers' Compensation Programs is indisputably justified, as applicable state law mandates this coverage.

Furthermore, with respect to the Workers' Compensation Claims, the risk that eligible claimants will not receive timely payments with respect to employment-related injuries could have a devastating effect on the financial well-being and morale of the Debtor's employees and their willingness to remain in the Debtor's employ. A significant deterioration in employee morale undoubtedly would have a substantially adverse impact on the Debtor, the value of its assets and business, and its ability to reorganize. Departures by employees at this critical time may result in a disruption of the Debtor's business to the detriment of all parties in interest.

29. If the Debtor was forced to cease or decrease its business operations due to a lack of Workers' Compensation Programs or its inability to pay the Workers' Compensation Claims, the resulting loss of revenues and inability to effectively reorganize would be substantial. Therefore, it is critical that the Debtor continue to maintain its Workers' Compensation Programs on an uninterrupted basis and be permitted to pay any obligations (including any retroactive premiums or claims arising under Debtor's Workers Compensation Programs) in the ordinary course of business and consistent with pre-petition practices.

30. It is, therefore, essential that the Debtor's banks be authorized to process, honor and pay, to the extent of funds on deposit, any and all pre-petition checks or wire transfer requests issued by the Debtor in connection any pre-petition obligations with respect to the Workers' Compensation Programs and the Insurance Policies when due.

31. To the extent any Workers' Compensation Program, Insurance Policy, or related agreement is deemed an executory contract within the meaning of section 365 of the Bankruptcy Code, the Debtor does not, at this time, seek to assume the same. Accordingly, the Debtor requests that if the Court authorizes the payments described above, such payment should not be deemed to constitute a post-petition assumption or adoption of said programs, policies, or agreements as executory contracts pursuant to section 365 of the Bankruptcy Code.

32. Based on the foregoing, the Debtor submits that the relief requested is necessary and appropriate, is in the best interest of its estate, creditors and other parties in interest, and should be granted in all respects.

## **V. NOTICE**

33. Notice of this Motion has been provided to: (i) the Office of the United States Trustee for District of Hawaii; (ii) parties appearing on the Debtor's list of creditors holding the twenty largest unsecured claims; (iii) the Securities and

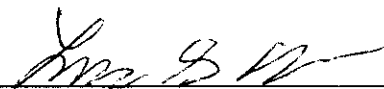
Exchange Commission; and (iv) the Internal Revenue Service. Given the circumstances, the Debtor submits that no other or further notice need be given.

**VI. NO PRIOR REQUEST**

34. No previous request for the relief sought herein has been made to this Court or any other court.

**WHEREFORE**, the Debtor requests entry of an order, substantially in the form attached hereto as Exhibit C, granting the relief requested herein and such other and further relief the Court deems just and proper.

Dated: Honolulu, Hawaii, March 21, 2003.

By:   
NICHOLAS C. DREHER, ESQ.  
THEODORE D.C. YOUNG, ESQ.  
CADES SCHUTTE  
A Limited Liability Law Company

and

LISA G. BECKERMAN, ESQ.  
DAVID P. SIMONDS, ESQ.  
AKIN GUMP STRAUSS HAUER & FELD LLP

Proposed Counsel for Debtor and Debtor in Possession

## **SCHEDULE OF INSURANCE POLICIES**

<u><b>Carrier</b></u>	<u><b>Expiration Date</b></u>	<u><b>Type</b></u>
Travelers Insurance Company with National Hangar Insurance Company Program through Hobbs Group	01/01/03 to 01/01/04	Commercial Automobile Liability
Royal Insurance Company through Hobbs Group	01/01/03 to 01/01/04	Commercial Excess Automobile Liability
Travelers Insurance Company with National Hangar Insurance Company Program through Hobbs Group	01/01/03 to 01/01/04	Business Property and Business Interruption
United States Aircraft Insurance Group	11/01/02 to 11/01/03	Aircraft Hull Physical Damages Insurance/ Comprehensive Airline Liability Insurance and all Risks Spares
Underwriters at Lloyds, London and certain other London and European based Insurers	11/01/02 to 11/01/03	Aircraft Hull Physical Damages Insurance/ Comprehensive Airline Liability Insurance and all Risks Spares
American Home Assurance Company	11/01/02 to 11/01/03	Aircraft Hull Physical Damages Insurance/ Comprehensive Airline Liability Insurance and all Risks Spares
Generali France Assurances	11/01/02 to 11/01/03	Aircraft Hull Physical Damages Insurance/ Comprehensive Airline Liability Insurance and all Risks Spares
AXA Corp. Solutions	11/01/02 to 11/01/03	Aircraft Hull Physical Damages Insurance/ Comprehensive Airline Liability Insurance and all Risks Spares
XL Specialty Insurance	11/01/02 to 11/01/03	Aircraft Hull Physical Damages Insurance/ Comprehensive Airline Liability Insurance and all Risks Spares
Underwriters at Lloyds	11/01/02 to 11/01/03	Aviation Hull War and Allied Insurance
Underwriters at Lloyds	11/01/02 to 11/01/03	Aircraft Hull Deductible Insurance
Federal Aviation Administration	02/14/03 to 04/14/03	War Risk Insurance
ACE American Insurance Company	03/15/03 to 03/15/04	Foreign Liability Insurance
Federal Insurance Company	07/01/02 to 07/01/03	Crime Insurance
National Union Fire Insurance Company of Pittsburgh, PA	07/01/01 to 07/01/04	Special Indemnity
National Union Fire Insurance Company of Pittsburgh, PA	01/31/03 to 01/31/04	Directors and Officers Liability
Federal Insurance	01/31/03 to 01/31/04	Directors and Officers Liability – First Excess
Houston Casualty	01/31/03 to 01/31/04	Directors and Officers Liability – Second Excess
Federal Insurance Company	01/31/03 to 01/31/04	Employee Benefit Fiduciary Liability

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## EXHIBIT A

## SCHEDULE OF WORKER' COMPENSATION PROGRAMS

<u>State</u>	<u>Expiration Date</u>	<u>Type</u>
<u>California</u> : State Compensation Insurance Fund	04/01/02 to 04/01/03	Worker' Compensation
<u>Washington</u> : Dept of Labor & Industries – Insurance Services	Quarterly	Worker' Compensation
<u>American Samoa</u> : National Pacific Insurance	03/14/03 to 03/14/04	Worker' Compensation
<u>All Other States</u> : AIG Aviation, Inc.	08/01/02 to 08/01/03	Worker' Compensation and Employers Liability
<u>All Other States</u> : Associated Aviation Underwriters, Inc.	08/01/95 to 08/01/02	Worker' Compensation and Employers Liability (remit to AAU reimbursement for claims paid on open cases from previous years)

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**EXHIBIT B**

**IN THE UNITED STATES BANKRUPTCY COURT  
DISTRICT OF HAWAII**

In re

HAWAIIAN AIRLINES, INC.,  
a Hawaii corporation,

Debtor.

**Case No. 03 - 00817**  
**(Chapter 11)**

**ORDER PURSUANT TO SECTIONS  
105(a) AND 363(b) OF THE  
BANKRUPTCY CODE AUTHORIZING  
THE DEBTOR TO (i) CONTINUE THE  
WORKERS' COMPENSATION  
PROGRAMS, INSURANCE POLICIES,  
AND AGREEMENTS RELATING  
THERE TO, AND (ii) PAY ALL  
OBLIGATIONS IN RESPECT  
THEREOF**

This matter coming before the Court on the Motion for an Order Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code for Authorization to (i) Continue the Debtor's Workers' Compensation Programs, Insurance Policies, and Agreements Relating Thereto, and (ii) Pay all Obligations in Respect thereof (the "Motion"),<sup>1</sup> filed by the above-captioned debtor and debtor in possession (the "Debtor"); the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), (c) venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409, and (d) proper and adequate notice of the Motion and the hearing thereon has been given and that no other or further notice is necessary; and the Court having

considered the Declaration of Christine R. Deister in Support of First-Day Motions and Applications; and the Court having considered all evidence and oral arguments of counsel in support of the Motion; and the Court having determined that the legal and factual basis set forth in the Motion establish just cause for the relief granted herein and the Court having determined that the relief sought in the Motion is in the best interest of the Debtor and its estate; and after due deliberation and sufficient cause appearing therefor,

**NOW, THEREFORE, IT IS HEREBY ORDERED THAT:**

1. The Motion is GRANTED in its entirety.
2. The Debtor is authorized and empowered to maintain the Workers' Compensation Programs and the Insurance Policies, as described in the Motion, without interruption, on the same basis, and in accordance with the same practices and procedures as were in effect prior to the commencement of the Debtor's chapter 11 case.
3. The Debtor is authorized, but not required, to pay, in its discretion, all premiums, administrative fees, including the Brokers' fees, deductible payments or reimbursements, Workers' Compensation Claims, and other pre-petition obligations in connection with the Workers' Compensation Programs and the Insurance Policies, as applicable, to the extent due and payable post-petition,

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<sup>1</sup> Capitalized terms in the Order shall have the meaning given to them in the Motion.

whether or not such premiums or amounts relate to the pre-petition period or were due prior to the commencement of this chapter 11 case, including with respect to the provision of letters of credit required in connection therewith.

4. The Debtor's banks are authorized to process, honor and pay, to the extent of funds on deposit, any and all pre-petition checks or wire transfer requests issued by the Debtor in respect of any pre-petition obligations with respect to the Workers' Compensation Programs or Insurance Policies prior to, or after, the commencement of this chapter 11 case.

5. Nothing in this Order or the Motion shall be construed as prejudicing any rights the Debtor may have to dispute or contest the amount of, or the basis for, any claims against the Debtor in connection with or relating to the Workers' Compensation Programs or Insurance Policies.

6. Nothing in this Order or the Motion shall be deemed a request by the Debtor for authority to assume, and nothing in this Order shall be deemed authorization to assume, any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code.



7. This Court shall retain jurisdiction over any and all issues arising from or related to the implementation and interpretation of this Order.

Dated: Honolulu, Hawaii, \_\_\_\_\_, 2003

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UNITED STATES BANKRUPTCY JUDGE

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In re Hawaiian Airlines, Inc., Chapter 11, Case No. 03-00817;  
ORDER PURSUANT TO SECTIONS 105(a) AND 363(b) OF THE  
BANKRUPTCY CODE AUTHORIZING THE DEBTOR TO (i) CONTINUE  
THE WORKERS' COMPENSATION PROGRAMS, INSURANCE POLICIES,  
AND AGREEMENTS RELATING THERETO, AND (ii) PAY ALL  
OBLIGATIONS IN RESPECT THEREOF